

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HERRINGTON HAVEN)	CASE NO.
WASTEWATER COMPANY, INC. FOR AN)	2017-00311
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On July 24, 2017, Herrington Haven Wastewater Company, Inc. (“Herrington Haven”) tendered an application (“Application”) with the Commission, pursuant to 807 KAR 5:076, requesting to adjust its rates for wastewater service. By letter dated July 31, 2017, the Commission notified Herrington Haven that the application was rejected as deficient. On August 18, 2017, Herrington Haven filed its response to the filing deficiencies. On August 29, 2017, Herrington Haven was notified that the Application remained deficient. On September 11, 2017, Herrington Haven filed further responses to the filing deficiencies, and its Application was deemed filed on September 11, 2017. To ensure the orderly review of the Application, the Commission established a procedural schedule by Order dated October 10, 2017. In its Application, Herrington Haven proposes an adjustment to its flat monthly wastewater service rate pursuant to 807 KAR 5:076. Herrington Haven requested rates that would increase annual wastewater service revenues by \$3,141, a 36.88 percent increase to pro forma present rate wastewater service revenues. There are no intervenors in this case.

Pursuant to the procedural Order, on December 19, 2017, Commission Staff (“Staff”) issued a report (“Report”) summarizing its findings regarding Herrington

Haven's requested rate adjustment. In its Report, Staff found that Herrington Haven's adjusted test-year operations support an Overall Revenue Requirement of \$11,918 and that an annual revenue increase of \$3,400, or 39.92 percent, is necessary to generate the Overall Revenue Requirement.

On December 27, 2017, Herrington Haven filed with the Commission its comments on Staff's Report wherein it did not object to any of Staff's findings and requested approval of the rates calculated by Staff. With its comments, Herrington Haven did not request that a conference or hearing be held.¹

BACKGROUND

Herrington Haven is a wastewater company that owns and operates a wastewater treatment system through which it provides service to approximately 20 customers that reside in Woodlawn Estates Subdivision in Garrard County, Kentucky.² Herrington Haven's last general rate adjustment was in 1996.

TEST PERIOD

The calendar year that ended December 31, 2016, was used as the test year to determine the reasonableness of Herrington Haven's existing and proposed wastewater rates, as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

Based on the findings of the Staff Report, Herrington Haven's pro forma operations should be as follows:

¹ Letter from Linda Price, Herrington Haven Wastewater Company, Inc. to Gwen R. Pinson Executive Director, Public Service Commission (Dec. 27, 2017).

² *Annual Report of Herrington Haven Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016* ("2016 Annual Report") at 9.

	2016 Annual Report	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 8,624	\$ (106)	\$ 8,518
Operating Expenses	<u>9,448</u>	<u>1,215</u>	<u>10,663</u>
Net Operating Income	<u>\$ (824)</u>	<u>\$ (1,321)</u>	<u>\$ (2,145)</u>

MODIFICATIONS TO STAFF'S FINDINGS

Herrington Haven proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In its Report, Staff proposed additional adjustments. The Commission accepts the findings contained in the Staff Report.

REVENUE REQUIREMENTS

Based upon the Commission's findings and determinations herein, Herrington Haven requires an increase in revenues of \$3,400, or 39.92 percent above pro forma present rate revenues, as shown below:

Operating Expenses	\$10,488
Allowable NOI	<u>1,430</u>
Revenue Requirement	11,918
Less: Pro Forma Present Rate Revenues	<u>(8,518)</u>
Required Revenue Increase	<u>\$ 3,400</u>
Percentage	<u>39.92%</u>

RATE DESIGN

The rates in the Appendix attached to this Order will produce wastewater service rate revenues of approximately \$11,918. The revenue requirement from wastewater service determined to be reasonable by the Commission herein. The monthly bill of a

residential customer will increase from \$35.49 to \$49.66, an increase of \$14.17, or 39.93 percent.

SUMMARY

The Commission after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable.

2. The Commission has historically used an Operating Ratio method to calculate the revenue requirement for wastewater service providers. Application of the Commission's Operating Ratio method to Herrington Haven's pro forma operations results in an Overall Revenue Requirement in the amount of \$11,918. A revenue increase of \$3,400 from wastewater service rates is necessary to generate the Overall Revenue Requirement.

3. The wastewater service rates proposed by Herrington Haven should be denied.

4. The wastewater service rates set forth in the Appendix to this Order are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

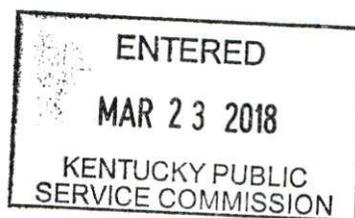
2. The rates proposed by Herrington Haven are denied.

3. The rates set forth in the Appendix to this Order are approved for services rendered by Herrington Haven on and after the date of this Order.

4. Within 20 days of the date of this Order, Herrington Haven shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

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By the Commission



ATTEST:



Executive Director

Case No. 2017-00311

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00311 DATED

MAR 23 2018

The following rates and charges are prescribed for the customers in the area served by Herrington Haven Wastewater Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Rates

Single Family Residential – Residential Flat Rate	\$49.66
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